

Message Text

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ACTION EUR-12

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E.O.11652:N/A
TAGS:OECD, EGEN, XH
SUBJECT:EAST/WEST ECONOMIC RELATIONS: A PROPOSAL FOR A
COMMON WESTERN ASSESSMENT OF IMPLICATIONS OF DETERIORATING
ECONOMIC PROSPECTS IN THE EAST
REF: (A) PARIS 3496, (B) STATE 034566, (C) PARIS 7362

1. EMBASSY BELIEVES THAT SUBJECT PROPOSAL COMMENDABLE AND
THAT SUCH DISCUSSIONS WOULD BE VERY USEFUL, EVEN IF IT
WERE NOT POSSIBLE TO DRAW POLICY IMPLICATIONS FROM SUCH AN
ASSESSMENT AT PRESENT STAGE. DISCUSSION AND MUTUAL ANALYS-
IS OF PRESENT SITUATION OF EASTERN EUROPEAN ECONOMIES,
THEIR FUTURE DEVELOPMENT AND THE INTERACTION BETWEEN
EASTERN BLOC ECONOMIES AND WESTERN DEVELOPED COUNTRIES
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DESERVES THOUGHTFUL AND BROAD FORUM WHICH OECD COULD OFFER.
WE BELIEVE THAT EXCHANGES OF INFORMATION AND VIEWS ON
THESE SUBJECTS WOULD BE MUTUALLY BENEFICIAL FOR ALL PARTI-
CIPANTS. A POLICY ISSUE WHICH MOST WESTERN COUNTRIES HAVE
NOT YET ADDRESSED BUT WHICH DEMANDS INCREASING ATTENTION
IS THE ROLE OF THE EASTERN ECONOMIES IN THE GLOBAL ECONOMY
AND THE IMPLICATIONS FOR ARRIVING AT SOLUTIONS TO WORLD

ECONOMIC PROBLEMS.

2. IT APPEARS TO US THAT THE USSR IS MAKING A CONCERTED EFFORT TO DRAW THE ECONOMIES OF THE EASTERN BLOC COUNTRIES CLOSER TOGETHER AND THAT THIS EFFORT HAS MET WITH SOME ACQUIESCENCE ON THE PART OF THE EAST EUROPEAN COUNTRIES, IN PART BECAUSE OF DIFFICULTIES THEY HAVE ENCOUNTERED IN THEIR EFFORTS TO TURN TO THE WEST (GROWING DEBT, LIMITED MARKET OPPORTUNITIES, TRADE BARRIERS, ETC.). THE USSR, AND MOST OTHER EAST EUROPEAN COUNTRIES TO OUR KNOWLEDGE, HAVE THE STATED GOAL OF INCREASING THE PROPORTION OF THEIR TRADE WHICH IS CARRIED ON WITH OTHER "SOCIALIST" COUNTRIES, A REVERSAL OF RECENT TRENDS. SUCH INTENSIFIED COLLABORATION IN CEMA AREA MAY ALSO HAVE NEGATIVE IMPLICATIONS FOR MARKET-DIRECTED ECONOMIC REFORM IDEAS IN SOME EAST EUROPEAN COUNTRIES, SINCE SOVIETS PLACE HEAVY STRESS ON CENTRAL PLANNING. HENCE IT APPEARS THAT QUESTION OF INTEGRATION OF EASTERN ECONOMIES INTO GLOBAL ECONOMY, WITH ALL IMPLICATIONS THIS HAS FOR WESTERN POLICY, IS ONE WHICH DESERVES ATTENTION OF WESTERN COUNTRIES.

3. WE WOULD EXPECT SOVIET REACTION TO DISCUSSIONS, SHOULD THEY BECOME AWARE OF THEM, TO BE MUCH THE SAME AS THEIR REACTION TO THE "GENTLEMEN'S AGREEMENT," THAT IS, AS AN ATTEMPT AT WESTERN COLLUSION AGAINST THE "SOCIALIST" WORLD, BUT AGREE WITH REFTEL C THAT THIS IS NO REASON NOT TO PROCEED WITH DISCUSSIONS. TOON
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